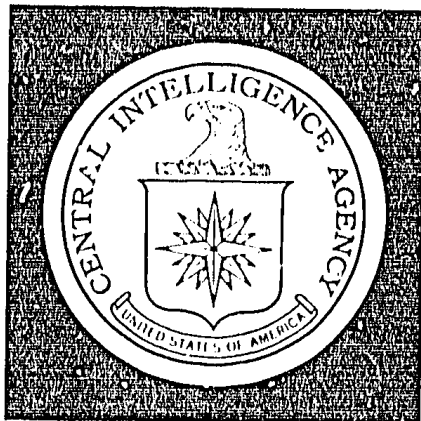


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25X9A2

*COMMUNIST CHINA: [REDACTED]
reports strengthen the impression that Peking is in
the midst of a leadership crisis.

25X1X

25X1X7

[REDACTED] some sort
of major leadership conclave in the capital began
on 12 September and apparently continued for several
days, since Premier Chou En-lai postponed scheduled
meetings with foreign visitors through 15 September.

25X9A2

The obvious implication [REDACTED] is
that Mao Tse-tung has been physically incapacitated.

25X1X

25X9A2

A Ministry of Foreign Affairs official, how-
ever, reportedly stated at an embassy reception in
Peking on 22 September that Mao is in excellent
health. Nevertheless, neither his statement nor
the appearance of Madame Mao at a banquet on 20
September can be taken as authoritative confirma-
tion that Mao is not ailing. They could be easily
interpreted to mean the reverse.

If Mao is dead or incapacitated, China's un-
settled leadership coalition may have difficulty in
immediately rallying around Defense Minister Lin

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Piao. Despite Lin's unprecedented affirmation as Mao's personal successor, there are serious questions about the extent and depth of support for him in important military and civilian circles. Although Lin's position as head of the military establishment is a vital one, his ultimate source of authority has always been Mao. In Mao's absence, Lin would have to adjust his working relationships with top central and regional military leaders who are powerful figures in their own right. Although Lin's efforts toward this end have been under way for some time, the process probably has involved considerable political bargaining and the future role of these leaders vis-a-vis Lin may well have been the subject of the recent discussions in Peking.

Lin's health has also been poor over the years and the possibility cannot be excluded that his physical condition, rather than Mao's, is behind the confusion at the top. Since the formal line of succession does not extend beyond Lin, his incapacitation would initiate further jockeying for position in China's ruling hierarchy.

At this stage, there is no evidence of a deterioration of security in the capital or elsewhere in the nation. The regime's heightened concern that this could occur, however, seems to be the rationale behind the recall of troops on leave from Tibet and probably elsewhere in China. [REDACTED]

25X9A2

25X9A2

[REDACTED] reports have cited armed factional clashes in Fukien and Honan provinces in eastern China, but these broke out in August and there is no firm evidence that they are related to developments in Peking or that they are continuing. (SECRET NO FOREIGN DISSEM)

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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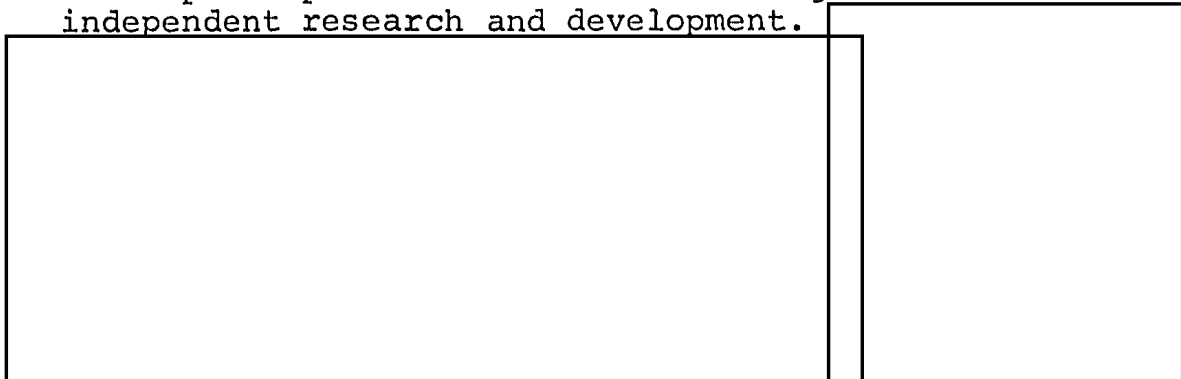
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EUROPEAN SPACE DEVELOPMENTS: France and West Germany intend to continue, though at a slower pace, development of an independent European launch vehicle--Europa III--despite US offers of assistance.

Washington has offered both the use of space launchers for European satellites and the possibility of participation in US post-Apollo space projects. The Europeans in general are interested in the US offers, and believe they are very forthcoming, but France and Germany--the major stockholders in the Europa III project--are reluctant to abandon an independent European effort.

Both apparently are concerned that the use of US launchers would in effect give Washington a veto over the launching of a European communications satellite. Moreover, they do not consider the separate post-Apollo offer definite enough to terminate independent research and development.

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BOLIVIA: The National Liberation Army (ELN) reportedly plans a campaign of urban terrorism against President Banzer's government.

The ELN has suffered casualties in recent clashes with Bolivian Army rangers, but its command structure apparently remains intact and [REDACTED] the group is reorganizing and regrouping. Reported plans to secure the active collaboration of certain peasant and student organizations may be part of an ELN attempt to rally and unite under its leadership the disarrayed extreme left.

A direct descendant of the ill-fated revolutionary movement founded and led by Che Guevara, the ELN has previously received Cuban and Uruguayan Tupamaro support. Reports that Cubans and other foreigners were killed during military-guerrilla engagements earlier this month, or that they are with the ELN now, remain unconfirmed, however.

The Banzer government, which has pledged to destroy the ELN, has already taken aggressive preemptive measures. Despite its initial military successes, however, the government still expects ELN-led urban terrorist activities or other violence. The ELN has never abandoned its original rural guerrilla orientation and may view urban terrorism as a prelude to a "return to the mountains" in force. Since Guevara's death in 1967, the ELN has operated only sporadically and has remained a small, generally ineffective organization. The current political disaffection of large numbers of violence-prone students and other Banzer opponents could, however, provide the ELN with a reservoir of strength which has up to now been lacking. (SECRET NO FOREIGN DISSEM)

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NOTES

CEYLON: Military authorities are expecting trouble, possibly beginning tomorrow, at rehabilitation camps housing some 14,000 young people arrested in connection with the insurgency last spring. All the detainees, whom Prime Minister Bandaranaike has described as "misguided youths," reportedly expect to be pardoned and released in connection with a national holiday on Sunday. Government plans, however, call for the release of only 3,000 insurgents. The army is preparing to station armored cars at all camps to thwart escape attempts. The possibility of serious clashes exists--especially if rebel groups still at large try to aid in a jail break. The army, however, should be able to contain such clashes; there is little likelihood that they would endanger overall island security. (CONFIDENTIAL)

* * * *

MALAWI-MOZAMBIQUE: President Banda begins an official three-day visit to Portuguese Mozambique today. The visit--Banda's first--follows his trip to South Africa last month and represents his latest effort to broaden Malawi's contacts with white-ruled southern Africa. The President is expected to visit the controversial Cabora Bassa hydroelectric project, a symbol of Portuguese colonialism to much of black Africa and the target of insurgent efforts by anti-Portuguese guerrillas. Banda can be expected to use the trip to stimulate further the nascent interest among some moderate African states in a dialogue with southern Africa. (CONFIDENTIAL)

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SWEDEN: In probably the biggest financial deal in Swedish history, two of Sweden's five largest commercial banks have announced their intention to merge on 1 January 1972. The two, Svenska Handelsbanken and Stockholm's Enskilda Bank, have combined assets of more than \$4.5 billion. This move, certain to be approved by the government, will concentrate control and ownership of Swedish banking and industry to an unprecedented degree in the hands of the Wallenberg family, which has a good working relationship with the Social Democratic Party. Through their existing ownership of the Enskilda Bank, the Wallenbergs now control nine of Sweden's 12 largest industrial firms. Their controlling interest in the new Skandinaviska Enskilda Banken will give them control of approximately 39 percent of Sweden's commercial banking activity. A larger combined resource base will enable the new bank better to meet the credit needs of industry, particularly the export sector. (CONFIDENTIAL)

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 23 September 1971 approved the following national intelligence estimate:

NIE-71-71 "Prospects for Change in
Portuguese Africa," (SECRET)

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